

NON-PERMANENCE RISK REPORT

FOREST MANAGEMENT TO REDUCE DEFORESTATION AND DEGRADATION IN SHIPIBO CONIBO AND CACATAIBO INDIGENOUS COMMUNITIES OF UCAYALI REGION

Document Prepared By Asociación para la Investigación y el Desarrollo Integral - AIDER

Project Title	<i>Forest management to reduce deforestation and degradation in Shipibo Conibo and Cacataibo indigenous communities of Ucayali region</i>
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1 INTERNAL RISK

Project Management		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Not applicable. Is not a forestation project	0
b)	The project has already issued carbon credits.	2
c)	Not applicable. The project proponent have a multidisciplinary team with experience in development and implementation of REDD projects. See: Annex A: Technical team responsible	0
d)	Not applicable. The project proponent have offices and a team in Ucayali region, 1 hour away from the project area.	0
e)	The project proponent have a multidisciplinary team with experience in development and implementation of REDD projects. See: Annex A: Technical team responsible	-2
f)	Not applicable	0
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)] Total may be less than zero.		0

Financial Viability		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Not applicable. The project have a 10 years cashflow. The project reach the breakeven point in year 1	0
b)	Not applicable. The project have a 10 years cashflow. The project reach the breakeven point in year 1	0
c)	Not applicable. The project have a 10 years cashflow. The project reach the breakeven point in year 1	0
d)	The project have a 10 years cashflow. The project reach the breakeven point in year 1. See: Flujo.REDD.Pucallpa-21.02.2017	0
e)	Not applicable. Project has secured more than 15% of funding	0
f)	Not applicable. Project has secured more than 17% of funding	0
g)	Not applicable	0

h)	<p>The project has secured US\$ 415,384 (17% of funding needed to cover the total cash out required before the project reaches breakeven) from a grant of the International Tropical Timber Organization for the design and development of the REDD project.</p> <p>The project has obtained US \$ 415,384 (+ 100% of the funds needed to cover the total withdrawal required before the project reaches breakeven point) with the loan agreement with ALTHELIA CLIMATE FUND SICAV</p> <p>The project need US\$ 2,435,466 to cover the total cash out required before the project reaches the breakeven.</p> <p>See: Convenio AIDER – ITTO</p> <p>See: Annex2_ Risk Report Annex E_Althelia_Loan_Agreement (page 29)</p>	0
i)	Not applicable	0
Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)] Total may not be less than zero.		0

Opportunity Cost		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	The baseline activities are agriculture and cattle. In the opportunity cost analysis the papaya crop is the most profitable activity. The NPV of the papaya crop is more than 100% more profitable than the project activities.	8
b)	Not applicable	0
c)	Not applicable	0
d)	Not applicable	0
e)	Not applicable	0
f)	Not applicable	0
g)	The project proponent is a non-profit organization Asociación para la investigación y Desarrollo Integral	-2
h)	The communities involve in the project sign a commitment agreement to realize the project activities during the lifetime of the project. See folder: Annex C: Acta Asamblea Comunal PDD CCB Section G3.2	-2
i)	Not applicable	0
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)] Total may be less than 0.		4
Project Longevity		
a)	Not applicable. The native communities involve in the project sign a commitment agreement to realize the project activities during the lifetime of	0

	the project.	
b)	The communities involve in the project sign a commitment agreement to realize the project activities during the lifetime of the project (40 years) See folder: Annex C: Acta asamblea comunal	10
Total Project Longevity (PL) May not be less than zero		10

Internal Risk	
Total Internal Risk (PM + FV + OC + PL) Total may not be less than zero.	14

2 EXTERNAL RISKS

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	The communities involve in the project are the owners and have the use rights of the land.	0
b)	Not applicable. The communities involve in the project are the ownerships and have the use rights of the land.	0
c)	Not applicable. There are no disputes over land tenure or ownership. See Annex B: Map Location of Project Communities	0
d)	Not applicable. There are no disputes over land tenure or ownership.	0
e)	Not applicable. This is not a WRC project	0
f)	The communities involve in the project sign a commitment agreement to realize the project activities during the lifetime of the project See: Annex C: Acta asamblea comunal	-2
g)	Not applicable.	0
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)] Total may not be less than zero.		0

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating

a)	Consultation process have been carried out to the communal assembly in each community involve in the project. See: See: PDD CCB Section G3.2	0
b)	No consultation were applied outside the project boundary.	5
c)	The project will implement productive activities inside the native community and in its buffer zone that will generate social and economic benefits for the people. The cashflow of the project (commercially sensitive information) shows the amounts allocated to the promotion of productive activities which generate the benefits mentioned above. The project will be validated under the Climate, Community and Biodiversity (CCB), showing positive net benefits for the populations involved.	-5
Total Community Engagement (CE) [where applicable, (a + b + c)] Total may be less than zero.		0

Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Not applicable.	0
b)	Not applicable.	0
c)	The governance score calculated using “World Bank Institute’s Worldwide Governance Indicators (WGI)”, average for the years 2012 – 2016 is -0.18 ¹ See: Annex D: Governance Score 2012 – 2016	2
d)	Not applicable.	0
e)	Not applicable.	0
f)	Peru is part of the REDD+ Readiness process financed by the World Bank. The jurisdiction of the project is part of the GCF taskforce RPP.pdf	-2
Total Political (PC) [as applicable ((a, b, c, d or e) + f)] Total may not be less than zero.		0

External Risk	
Total External Risk (LT + CE + PC) Total may not be less than zero.	0

¹ http://info.worldbank.org/governance/wgi/sc_chart.asp#

3 NATURAL RISKS

Fire	
Significance	No Loss. Fires are located in areas where farmers perform controlled burns. The community monitoring team have not reported the occurrence of forest fires in this period.
Likelihood	Less than every ten years.
Score (LS)	0
Mitigation	0.25 The project proponent has a Plan for prevention and control of forest fires. The project proponent has experience in fire control in reforestation projects in the Ucayali region. See: Plan de Prevención y Control de Incendios Forestales

Pest and Disease outbreaks	
Significance	Insignificant (less than 5% loss of carbon stocks) or transient (full recovery of lost carbon stocks expected within 10 years of any event)
Likelihood	Less than every ten years.
Score (LS)	2
Mitigation	0.5 The project activities include to implement agroforestry systems already adapted to the natural conditions in the project area. The project will use native species already adapted to the project area and this will prevent the pest and disease outbreaks. The project proponent has mitigation measures for pest and disease outbreaks to be implemented in the project. Also indicate that there has not been registered information of pests and diseases by the National Service of Agricultural Health – SENASA (for its acronym in Spanish), in the project area. See: Plan de protección forestal

Extreme Weather	
Significance	No loss The project area is a natural forest that is part of the Peruvian amazon and where extreme climates like: hurricanes, storms and extreme droughts have not been registered to date. In this area only heavy rains are presented in the months of November to March, event that occurs every year in this period of months. This

	type of event is not a risk that could affect more than 5% of the project area, because it always has been ongoing, and physiographic characteristics of the project area makes it less vulnerable to these risks.
Likelihood	Less than every ten years.
Score (LS)	0
Mitigation	1 None of the above.

Geological risk	
Significance	No loss. No volcanoes in the project area. Not enough slope or altitude for avalanche.
Likelihood	Not applicable.
Score (LS)	0
Mitigation	1

Score for each natural risk applicable to the project (Determined by $LS \times M$)	
Fire (F)	0
Pest and Disease Outbreaks (PD)	1
Extreme Weather (W)	0
Geological Risk (G)	0
Other natural risk (ON)	Not applicable.
Total Natural Risk (as applicable, F + PD + W + G + ON)	1

4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

4.1 Overall Risk Rating

Risk Category	Rating
a) Internal Risk	14
b) External Risk	0
c) Natural Risk	1
Overall Risk Rating (a + b + c)	15

4.2 Calculation of Total VCUs

Project year <i>t</i>	<i>Ex post</i> net anthropogenic GHG emission reductions		<i>Ex post</i> VCUs tradable		<i>Ex post</i> buffer credits	
	annual	cumulative	annual	cumulative	annual	cumulative
	$\Delta REDD_t$ tCO ₂ -e	$\Delta REDD$ tCO ₂ -e	VCU_t tCO ₂ -e	VCU tCO ₂ -e	VBC_t tCO ₂ -e	VBC tCO ₂ -e
2017-2018	780,472	780,472	663,401	663,401	117,071	117,071